

Message Text

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44

ACTION ARA-10

INFO OCT-01 ISO-00 SAB-01 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 PC-01 AEC-05 CEA-01 CIEP-01

COME-00 EB-07 FEAE-00 FPC-01 INT-05 OMB-01 SAM-01

OES-03 STR-01 TRSE-00 FRB-01 NEA-06 /093 W

----- 113762

R 182048Z DEC 74 ZDK

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 2584

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY CARACAS

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GUATEMALA ALSO FOR ROCAP

EO 11652: N/A

TAGS: PFOR, EFIN, ENRG, VE, PN

SUBJ: PANAMA AND VENEZUELAN OIL AID

REF: CARACAS 12304

1. PUERTO ORDAZ MEETING OF CHIEFS OF STATE GIVEN EXTENSIVE PRESS
COVERAGE LOCALLY, WITH EMPHASIS ON REPORTS CONCERNING AGREED
SPLIT PAYMENT PLAN FOR OIL IMPORTS. AMOUNT OF VENEZUELAN CRUDE
OIL REPORTEDLY PROMISED PANAMA UNDER PLAN IS 13,000 BARRELS
A DAY. AT PUBLIC CEREMONIES IN DAVID DECEMBER 16 MARKING FIFTH
ANNIVERSARY OF HIS RETURN TO PANAMA DURING UNSUCCESSFUL COUP
ATTEMPT AGAINST REGIME, GENERAL TORRIJOS PRAISED GOOD INTENTIONS
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OF VENEZUELA AND EXPRESSED APPRECIATION FOR PROPOSED ASSISTANCE

PLANS PLUS HELP IN ALLEVIATING SOMEWHAT BALANCE OF PAYMENTS PROBLEMS CONNECTED WITH RISING OIL COSTS. HE EMPHASIZED, HOWEVER, THAT VENEZUELA WAS NOT IN POSITION ACUTALLY TO LOWER PETROLEUM PRICE AND THAT CONSUMERS WOULD THEREFORE CONTINUE TO PAY FUEL ADJUSTMENT SURCHARGE ON ELECTRIC BILLS. HE INDICATED THE GOVERNMENT INTENDED TO ABSORB FUTURE RISES IN FUEL COSTS RATHER THAN INCREASE SURCHARGE FOR CONSUMERS.

2. A HIGH PANAMANIAN OFFICIAL WHO ACCOMPANIED TORRIJOS TO VENEZUELA TOLD EMBOFF THAT HE CONSIDERED POSSIBILITY OF VENEZUELAN FINANCING OF TRANSISTHMIAN PIPELINE PROJECT AS MOST IMPORTANT OUTCOME OF MEETING FOR PANAMA. HE INDICATED VENEZUELAN INTEREST IN PROJECT STEMMED FROM THAT COUNTRY'S DESIRE TO FACILITATE SHIPMENT OF OIL TO JAPAN, A CUSTOMER IT FEARS LOSING TO ECUADOR- IANS.

3. EDITORIAL COMMENT IN GOVERNMENT-CONTROLLED PAPERS ON "HISTORIC" MEETING HAS BEEN ENTHUSIASTIC, POINTING OUT THAT HOPES FOR LOWER FUEL COSTS HAD BEEN ILL-FOUNDED AND CITING AS PERHAPS MOST IMPORTANT RESULT OF MEETING FACT THAT FOR FIRST TIME COUNTRIES SHOWED DETERMINATION TO WORK TOGETHER AS LARGER REGIONAL GROUPING FOR COMMON ECONOMIC GOOD. INDEPENDENT DAILY "LA ESTRELLA" WAS EDITORIALY SOMEWHAT MORE SUBDUED, WELCOMING VENEZUELAN INITIATIVE TO USE PARTIAL OIL PAYMENTS TO CREATE FUND FOR DEVELOPMENT PROJECTS IN PARTICIPATING COUNTRIES, BUT EXPRESSING FEAR THAT ASSISTANCE MAY COME IN FORM OF "TIED LOANS" OF TYPE FOR WHICH US HAS BEEN SEVERELY CRITICIZED. PROJECTS PANAMA REPORTEDLY ASKED TO BE CONSIDERED FOR FINANCING, BESIDES PIPELINE, ARE A SUGAR MILL AND A NEW OIL REFINERY.

4. COMMENT: INITIAL REACTION TO WHAT IS SEEN LOCALLY AS FIRST STEP IN VENEZUELAN DRIVE TO ASSERT LEADERSHIP THROUGHOUT LATIN AMERICA APPEARS TO BE ATTEMPT TO PROTECT RELATIONSHIP WITH VENEZUELAN GOVERNMENT WHILE TRYING TO ASCERTAIN WHAT EXACTLY PANAMA IS LIKELY TO DERIVE FROM IT. FURTHER AVAILABILITY OF 8 PERCENT-25 YEAR MONEY, IN LIMITED AMOUNTS AND IN FACT GENERATED BY PANAMA'S PURCHASES, TO HELP PAY COUNTERPART FOR IBRD, IDB, AND AID LOANS DOES NOT MAKE THE VENEZUELAN LOOK VERY GENERAOUS. WHILE BALANCE OF PAYMENTS RELIEF OF WHATEVER AMOUNT IN PERIOD IMMEDIATELY AHEAD WILL BE WELCOMED LOCALLY, THE REPORTED QUOTA LIMITED OFFICIAL USE

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OF VENEZUELAN OIL UNDER SPECIAL PLAN WOULD MEET ONLY SMALL PORTION OF COUNTRY'S IMPORT NEEDS. 13,000 BARRELS A DAY REPRESENTS ABOUT 18 PERCENT OF 1973 OIL IMPORTS (AND 47 PERCENT OF THAT YEAR'S IMPORTS FROM VENEZUELA); IN THE MEANTIME CAPACITY OF PANAMA'S ONLY OIL REFINERY HAS BEEN EXPANDED FROM 75,000 TO 100,000 BARRELS A DAY. PROPORATION OF PANAMANIAN CRUDE OIL IMPORTS SUPPLIED BY VENEZUELA HAS FALLEN FROM 99 PERCENT IN 1971 TO ONLY 38 PERCENT IN 1973 (ECUADOR SUPPLIED 47 PERCENT OF

IMPORTS LAST YEAR AND SAUDI ARABIA, 15 PERCENT).

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